

**Student Financial Services Bureau  
Michigan Higher Education Student Loan Authority**

**MICHIGAN ADVANTAGE CONSOLIDATION QUESTIONS & ANSWERS**

**1. Who is Michigan Higher Education Student Loan Authority (MHESLA)?**

The Michigan Higher Education Student Loan Authority (MHESLA) is a State of Michigan agency that acts as a lender in the Federal Family Education Loan Program (FFELP). MHESLA provides Federal Stafford, Federal PLUS and Federal Consolidation Loans and has contracts with Nelnet, Sallie Mae and Great Lakes for servicing of these loans. If you were told to contact us, it is because we are the current holder (lender) of your loans.

**2. What Savings Is Available With Michigan Advantage Consolidation?**

Michigan Advantage Consolidation (MAC) is a Federal Consolidation Loan provided by MHESLA. To receive an interest rate reduction of 1%, you must consolidate \$7,500 or more, on or after 03-01-05 and make 36 on-time payments. For easy on-time payments and to receive an additional 0.25% (one-quarter of one percent) you can sign up for automatic payment withdrawal.

**3. What Is Consolidation?**

Consolidation allows borrowers to pay off several types of federal education loans and creates one new loan. Eligible loan types are listed on the application. This eases the borrower's repayment burden by making one monthly payment to one lender and it has a fixed interest rate.

**4. Is Consolidation Best For Me?**

If you have Stafford or PLUS loans held by MHESLA that were made on or after 01/01/03, these loans are in the Michigan Student First (MSF) program. The MSF benefit reduces the interest rate to 0% after you make your first 36 months of payments on time, and remains at 0% as long as you continue to make your payments on-time. If you consolidate these loans you lose the MSF benefit and will pay interest on the consolidation loan.

Consolidation will give you a fixed interest rate and, if your loan balance is \$7,500 or more, a longer repayment period. This may result in lower monthly payments but you will pay more interest over the life of the loan. MHESLA offers the Michigan Advantage Consolidation benefit if you consolidate \$7,500 or more. The incentive is a 1% reduction in your statutory interest rate after 36 on-time payments are made.

**5. Do I Have To Be Approved For Consolidation?**

No, there is no approval process or credit check on a Federal Consolidation Loan.

**6. Can I Consolidate Only One Loan Or Loans Totaling Less Than \$7500?**

You may consolidate one loan as long as it is not a prior consolidation loan. MHESLA will consolidate loans totaling \$200 or more. However, consolidation loans under \$7,500 are not eligible for the Michigan Advantage Consolidation benefit. (A 1% interest rate reduction after 36 on-time payments are made).

**7. Can I Consolidate My Loans With My Spouse or Child's Loans (or vice versa)?**

No, but each of you can consolidate separately.

**8. Are There Additional Fees To Consolidate?**

There are no application/processing fees for consolidating your Federal student loans.

**9. Can Perkins And Federal Direct Loans Be Consolidated With FFELP Loans?**

Yes. A list of loans that may be consolidated is included in the Consolidation Application kit. Alternative (private) loans cannot be consolidated with FFELP, Perkins or Federal Direct loans.

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**10. How Long Will The Consolidation Process Take?**

Normal processing is between 6-8 weeks, during peak or unusually high volume times it may take longer. Be sure you have provided all required information, missing or incomplete information will slow down the processing of your application.

**11. Do I Still Pay On The Loans Being Consolidated?**

Yes, while the consolidation is processing, payments will continue to be due. If you are unable to make a payment, contact each of your servicers or lenders to discuss available options. Delinquent payments can slow down the process. Continue to pay until you are notified of the consolidation payment due date.

**12. What Is The Consolidation Interest Rate?**

Federal law sets the consolidation loan interest rate. It is calculated using the weighted average of the interest rates on your loans to be consolidated, rounded up to the next higher one-eighth of one percent, not to exceed 8.25%.

**13. How Is The Weighted Average Calculated?**

**Step 1:** Multiply the outstanding balance of each loan by the current interest rate.

Example:  $\$18,500 \times .0486 (4.86\%) = \$ 899$   
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 $18,500 \times .0346 (3.46\%) = 640$   
 $\underline{18,500} \times .0346 (3.46\%) = \underline{640}$   
 $\$74,000 \qquad \qquad \qquad \$3,078$

**Step 2:** Divide the sum (\$3,078) by the total balance (\$74,000) being consolidated.

Example:  $\$3,078 \text{ divided by } \$74,000 = .04159 (4.159\%)$

**Step 3:** Round the results to the next higher one-eighth of one percent (not to exceed 8.25%).

Example: 4.159% rounds up to 4.25%.

**14. Do I Get Lower Payments If I Consolidate?**

In many cases the answer is yes, because you are paying the loan off over a longer period of time and making only one monthly payment. A longer repayment period means you pay more interest.

**Maximum Repayment Periods for Federal Consolidation Loans**

<b>Sum of Consolidation Loan Balance Plus Balance of Other Educational Loan(s)</b>	<b>Maximum Repayment Period*</b>
Less than \$7,500	10 years
\$7,500 or more, but less than \$10,000	12 years
\$10,000 or more, but less than \$20,000	15 years
\$20,000 or more, but less than \$40,000	20 years*
\$40,000 or more, but less than \$60,000	25 years
\$60,000 or more	30 years

**\*Extended Repayment** – If you are a new borrower on or after 10/07/98 and your FFELP student loan debt is in excess of \$30,000, you can request your maximum repayment period to be extended to 25 years.

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**15. What Will My Monthly Payment Be?**

Your payment will be based upon the total dollar amount you consolidate and the interest rate.

**16. Is There A Penalty If I Pay The Loan Off Early?**

No. Early payment will also reduce the amount of interest you pay.

**17. How Do I Get A Michigan Advantage Consolidation Application?**

Go to the MHESLA Web site [www.mistudentloans.com](http://www.mistudentloans.com). The **Michigan Advantage Consolidation** link is on the right side tool bar. You will need Adobe Acrobat to download the application. You can get the latest version of Adobe free at [www.adobe.com](http://www.adobe.com). Or you can e-mail your address to us at [mhesla@michigan.gov](mailto:mhesla@michigan.gov) and request a paper application. Please be sure to read and follow the application instructions so your loan will process smoothly. You also need to read and understand the "Borrower's Rights and Responsibilities" before you sign your application.

**18. How Do I Find All My Lenders, Loan Balances, Interest Rates, Etc.?**

Use these Web sites:

[www.nslds.ed.gov](http://www.nslds.ed.gov) – Requires a PIN.  
Provides your lender, and loan details.

[www.studentclearinghouse.org](http://www.studentclearinghouse.org) – Requires your Social Security number and date of birth.  
Provides your lender, their Web site and toll-free number to contact.